

CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

Executive Registry

74-897/1A

The Honorable Bill Gunter
House of Representatives
Washington, D. C. 20515

Dear Mr. Gunter:

I want to be as responsive to your letter of 25 February as I can, but the answers to most of your questions are beyond our capabilities and responsibilities. As you know, this problem is largely the province of the Federal Energy Office and its Administrator, Mr. Simon.

We agree with Mr. Simon that the Shah of Iran was incorrect in asserting that the volume of oil consigned by the world's oil producers to the American market this year is at the same level as last year. No Arab oil is now directly consigned to the U. S. because this would violate the rules of the embargo, as the Shah knows. The Shah might have meant that the same amount of Iranian oil is now consigned to the United States as last year. Last year our imports of crude oil from Iran were about 200,000 barrels per day. During the first two months of this year, our daily imports from Iran have been running 37% higher than during the same period of 1973.

While Arab countries have enjoined the international oil companies from shipping Arab oil directly to the U. S., statistics on U. S. imports since the embargo began last October suggest that shipments from non-Arab countries have increased.

I am aware of press reporting that some firms have been diverting crude oil supplies away from our shores in recent weeks because of the allocation program. Since we do not collect intelligence on the activities of American firms abroad, we cannot document this alleged diversion. I suggest that the oil companies themselves or FEO would be the proper source of such information.

Sincerely,

W. E. Colby
Director

Subject: Director's response to Congressman Bill Gunter
re questions concerning our foreign oil supplies

CONCUR:

[Redacted Signature Box]

Acting Deputy Director for Intelligence

8 MAR 1974

Date

ADDI/PVWalsh/tb (8 Mar 74)

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MEMORANDUM FOR: The Director

Subject: Congressman Gunter

I suggest that our response to Congressman Gunter's letter of 25 February on oil be handled orally. If you do not agree, I have attached a draft letter which I think would be an adequate response without our saying any more than we have to.

Paul V. Walsh
ADDI

Attachment

8 Mar 1974
(DATE)

FORM NO. 101 REPLACES FORM 10-101

BILL GUNTER

5TH DISTRICT, FLORIDA

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Congress of the United States

House of Representatives

Washington, D.C. 20515

February 25, 1974

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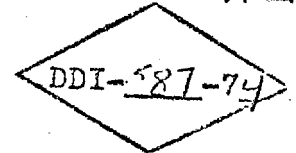
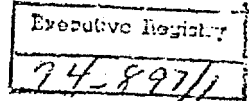
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The Honorable William E. Colby
Director of Central Intelligence
Central Intelligence Agency
Washington, D. C. 20505



Dear Director Colby:

I am requesting that you investigate and report to the Congress in whatever manner you deem appropriate the apparent mysterious disappearance of huge volumes of foreign oil intended for the United States which has never arrived.

The reports are now too numerous of American oil customers and businessmen being approached with offers of all the oil they want, if they will simply meet a big enough price, to ignore the implications.

The Shah of Iran last night was reported as indicating that the volume of oil consigned to the American market this year was at the same level as last year. The Shah suggested that if the oil is not reaching the United States, we might be interested in finding out why. As one Congressman, at least, I am so interested.

It is time to find out who is holding up or otherwise diverting oil that leaves the Middle East bound for the United States but which, after being juggled from ship to ship -- sometimes as many as four times, according to the Shah -- disappears, while at the same time huge volumes of oil are offered to us if we will simply meet the international black-market price.

I am particularly interested in any information bearing on any involvement by American firms overseas, either oil companies or shipping companies, acting in collusion with foreign countries or suppliers, or cooperating in any way to withhold oil supplies from this country and diverting U. S. bound supplies to an international black market instead.

The statement today by Federal Energy Administrator Simon ridiculing the Shah's assertions and asserting his own agency's omniscience in determining the actual oil supplies arriving in this country by virtue of boarding ships and "examining manifests," is totally inadequate in my judgment. Mr. Simon apparently either believes there is no black market or that

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if there are blackmarketeers, they are of the variety that keep scrupulously accurate and honest manifests for the benefit of customs officers charged with examining them and catching smugglers.

Your agency, perhaps alone among those in the Executive Department, has the capability and experience to determine the true facts with respect to what is happening to this oil from the time it leaves the Mideast to the time it reaches U. S. waters, and to account for the apparent diminution of volume inbetween; to determine the truth or falsity of rumors that Rotterdam, for example, is a key point at which U.S.-bound oil becomes lost through mysterious transfers of oil from ship to ship; to discern from aerial photographs the true volume of oil carried in tankers from one point to the next; to determine whether falsifications of manifests are taking place in large numbers; and in general to determine the extent, nature, and type of blackmarket operations internationally may be depriving our country of supplies intended for us, and the extent of the collusive activity on the part of persons and companies handling oil transfers that would be required in order to accomplish diversions of huge volumes of oil.

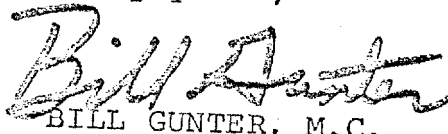
The Governor of Maryland indicated at a press conference last weekend that Maryland had been offered 25 million gallons of gasoline, at prices between 43 and 46 cents a gallon, from, to quote the news report, unidentified "oil brokers" who apparently have access to large amounts of gasoline.

News reports in recent weeks have carried a variety of sporadic and incidental but disturbing references, often quoting responsible businessmen in this country, that large volumes of oil were available from sources outside this country if they were but willing to meet the price.

The discrepancy between the amount of oil the Shah reports leaves the Mideast bound for this country and the volume of oil Mr. Simon insists is actually arriving is too great to ignore without a responsible agency of our government having the capability to determine what is transpiring in midocean or in foreign ports actually doing so.

I am hopeful that your agency can report to the Congress a full and factual determination with respect to the situation as it is alleged to exist, and I would appreciate the earliest responsible preliminary response based on information you may already have accumulated.

Sincerely yours,



BILL GUNTER, M.C.

BG/mdg

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